



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 15th day of April, 1999

SERVED: April 16, 1999

**Allocation of Chicago-London Combination  
Service Frequencies**

**Docket OST-99-5061**

**FINAL ORDER**

**Summary**

By this order we make final our tentative decision in Order 99-3-20 and allocate 67 round-trip frequencies to United Air Lines for service in the Chicago-London market for the 1999 summer season.

**Background**

Under the U.S.-U.K. Air Services Agreement, for the forthcoming summer traffic season (April 1, 1999 – October 31, 1999), American is entitled to operate 886 round-trip frequencies in the Chicago-London market, and United is entitled to operate 488 round-trip frequencies. As agreed by the United States and the United Kingdom under the consultation provisions of Annex 2 of the U.S.-U.K. agreement, a total of 67 additional round-trip summer season frequencies have been provided for use by American and United in the Chicago-London market. By Order 99-3-20, we tentatively allocated the 67 frequencies to United, so that both carriers could provide a broad range of competitive services to and from London's Heathrow airport, where each applicant has chosen to concentrate its Chicago-London services. We required that parties file objections to our tentative decision by March 29, 1999, and that answers be filed by April 1, 1999.

### **Responses to Order 99-3-20**

American filed objections to our tentative decision. United filed an answer to American's objections. American states that the Department should void the tentative decision and award American the 67 available frequencies, as requested its initial application. United, on the other hand, urges the Department to make final its tentative decision and award the 67 additional frequencies to United.

American argues that certain travelers prefer London's Gatwick airport to London's Heathrow airport. American maintains that since it would use the 67 additional frequencies for Gatwick service, whereas United would use the additional frequencies at Heathrow, the benefits of American's proposal outweigh those of United's. In addition, American states that if the Department makes selection decisions for limited-entry markets based on increased competition, then the Department should even out the distribution of slots between American and United at Chicago's O'Hare airport and should not award any additional O'Hare slots to United until American's slot network has achieved competitive parity.

United argues that American presents no issues that the Department has not already considered in the tentative decision. Moreover, with respect to American's arguments on the benefits of Gatwick service, United states that American could shift one daily frequency from Heathrow to Gatwick and still schedule more flights than United on the Chicago-London (Heathrow) route. United also notes that American offers no O'Hare-Gatwick service in the current Computer Reservation System or *Official Airline Guide* displays for any period, which is contrary to American's stated plans to use a portion of its minimum entitlement frequencies for O'Hare-Gatwick service.

### **Decision**

We have decided to make final our tentative decision and allocate 67 additional round-trip frequencies to United for use in the Chicago-London market.

Both American and United currently serve the market and both have chosen to use their existing frequencies for service through London's Heathrow airport. American plans to operate four daily flights and United two daily flights for the entire 1999 summer traffic season.

In light of these planned services, as well as the demonstrated demand for service at Heathrow, we tentatively found in our show-cause order that the public interest would be best served by allocating the 67 additional flights to United, thereby increasing the level of

competitive service at Heathrow and providing the public with the broadest range of competitive service at the airport where both carriers have chosen to concentrate their services.

American has presented no arguments or evidence that refute these tentative conclusions. Rather, American has reiterated its previous arguments that its proposal to use the additional frequencies to serve Gatwick would constitute a better use of the additional frequencies.

We fully considered American's argument in our tentative decision. Indeed, as we noted in our show-cause order, we found American's proposal to serve Gatwick to be an attractive feature of its application. However, we note that American was proposing to serve Gatwick for less than half the seven-month season, with the overall majority of its service operated through Heathrow. Against this background, we are not persuaded that American's proposed short-term service at Gatwick offers greater benefits in this case, particularly in view of the benefits of an allocation to United, which would use the additional flights to increase competition and consumer choice at Heathrow, the airport where both carriers have chosen to focus their services. American has presented no arguments that persuade us to reach a different conclusion.

We are also unpersuaded by American's arguments that slot allocation at Chicago's O'Hare airport should affect our allocation of frequencies here. The issue in this case is how the additional frequencies in the Chicago-London market should be allocated between the only two carriers that can serve the market. In this regard, we note that American operates almost twice as much service in the Chicago-London summer season market as United and has all of the O'Hare slots necessary to operate these services. In these circumstances, we are not persuaded that the issues related to overall slot awards at O'Hare are relevant to the public interest factors affecting the frequency allocations for service in the Chicago-London market.

Therefore, for the above reasons, we have determined that our proposed allocation best serves the public interest, and we will make final our tentative decision to allocate 67 additional round-trip frequencies to United for use in the Chicago-London market.

**ACCORDINGLY,**

1. We make final our tentative decision in Order 99-3-20 and allocate 67 round-trip frequencies to United Air Lines, Inc., for summer season services in the Chicago-London market starting from the 1999 summer season (April 1, 1999 - October 31, 1999);
2. We may amend, modify, or revoke this order at our discretion at any time without hearing; and
3. We will serve a copy of this order on American Airlines, Inc., United Air Lines, Inc., the U.S. Department of State (Office of Aviation Negotiations), the Ambassador of the United

Kingdom of Great Britain and Northern Ireland in Washington, D.C., and the Federal Aviation Administration.

By:

**PATRICK V. MURPHY**  
**Deputy Assistant Secretary for**  
**Aviation and International Affairs**

(SEAL)

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